

**LODI CITY COUNCIL
REGULAR CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, MAY 7, 2003**

C-1 CALL TO ORDER / ROLL CALL

The City Council Closed Session meeting of May 7, 2003, was called to order by Mayor Hitchcock at 6:35 p.m.

Present: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, Deputy City Attorney Schwabauer, and City Clerk Blackston

C-2 ANNOUNCEMENT OF CLOSED SESSION

- a) Actual litigation: Government Code §54956.9(a); one case; *Robinson v. Harper, et al.*, Superior Court of California, County of San Joaquin, Stockton Branch; Case No. CV012406

C-3 ADJOURN TO CLOSED SESSION

At 6:35 p.m., Mayor Hitchcock adjourned the meeting to a Closed Session to discuss the above matter.

The Closed Session adjourned at 6:42 p.m.

C-4 RETURN TO OPEN SESSION / DISCLOSURE OF ACTION

At 7:03 p.m., Mayor Hitchcock reconvened the City Council meeting, and Deputy City Attorney Schwabauer disclosed the following action.

In regard to Item C-2 (a), direction was given regarding settlement negotiations.

A. CALL TO ORDER / ROLL CALL

The Regular City Council meeting of May 7, 2003, was called to order by Mayor Hitchcock at 7:03 p.m.

Present: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, Deputy City Attorney Schwabauer, and City Clerk Blackston

B. INVOCATION

The invocation was given by Reverend David Hill, Grace Presbyterian Church.

C. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Hitchcock.

D. AWARDS / PROCLAMATIONS / PRESENTATIONS

D-1 Awards – None

D-2 (a) Mayor Hitchcock presented a proclamation to Brad Jones, Veteran Representative with the Employment Development Department, proclaiming the month of May 2003 as "Veteran Appreciation Month" in the City of Lodi.

D-2 (b) Mayor Hitchcock presented a proclamation to Captain David Main with the Lodi Police Department proclaiming the month of May 2003 as "Peace Officer Memorial Month" in the City of Lodi

D-2 (c) Mayor Hitchcock presented a proclamation to Rebecca Areida, Management Analyst, proclaiming the week of May 18 – 24, 2003, as "National Public Works Week" in the City of Lodi.

- D-2 (d) Following introduction by Public Works Director Prima and Transportation Manager, Tiffani Fink, Mayor Hitchcock presented a proclamation to Jill Egbert from Pacific Gas & Electric (PG&E) proclaiming Wednesday, May 21, 2003, as "Air Quality Improvement Day" in the City of Lodi.
 - D-2 (e) Mayor Hitchcock presented a proclamation to Rosa Trujillo, representing the San Joaquin Council of Governments, proclaiming the period of May 12 – 16, 2003, as "California Bike to Work Week" in the City of Lodi.
 - D-3 (a) Mayor Hitchcock presented a Certificate of Recognition to Bob Johnson, outgoing Parks and Recreation Commission Chair for 2002.
 - D-3 (b) Janet Hamilton, Management Analyst, gave a presentation regarding Celebration on Central, which was scheduled for Sunday, May 18.
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E. CONSENT CALENDAR

In accordance with the report and recommendation of the City Manager, Council, on motion of Council Member Land, Beckman second, unanimously approved the following items hereinafter set forth **except those otherwise noted**:

- E-1 Claims were approved in the amount of \$6,004,854.36.
- E-2 The minutes of April 2, 2003 (Regular Meeting), April 8, 2003 (Shirtsleeve Session), April 14, 2003 (Special Joint Meeting with the Lodi Arts Commission), April 15, 2003 (Shirtsleeve Session), April 21, 2003 (Special Meeting), April 22, 2003 (Shirtsleeve Session), April 22, 2003 (Special Meeting), and April 23, 2003 (Adjourned Special Meeting) were approved as written.
- E-3 Authorized staff to solicit proposals for audit services.
- E-4 Approved the specifications for various sizes and lengths of medium-voltage concentric neutral underground electrical cable and authorized advertisement for bids.
- E-5 Adopted Resolution No. 2003-72 awarding the bid for thirty 45-foot Class 3 and twenty-five 50-foot Class 3 wood utility poles to the low bidder, McFarland Cascade Company, of Tacoma, Washington, in the amount of \$20,811.91.
- E-6 Adopted Resolution No. 2003-73 awarding the bid for the following underground utility vaults, risers, and lids to the low bidder, Jensen Precast, of Sacramento, in the amount of \$28,936.26.
 - 7 each 4'8" x 4'8" x 3'8" concrete vault, Lodi Spec 09225679
 - 7 each 4'8" x 4'8" x 6" extension ring (riser), Lodi Spec 09225680
 - 7 each hinged cover for 4'8" x 4'8" vault, Lodi Spec 09225681
 - 5 each 5'6" x 9'6" x 6'7" concrete vault, Lodi Spec 09225700
 - 6 each galvanized steel cover for 5'6" x 9'6" vault, Lodi Spec 09225702
- E-7 Adopted Resolution No. 2003-74 authorizing the City Manager to execute a professional services agreement with Camp Dresser & McKee, Inc. for corrosion control in the domestic wastewater outfall pipeline (\$35,235) and appropriated funds in accordance with staff recommendation.
- E-8 Adopted Resolution No. 2003-75 authorizing staff to hire the consulting services of Padilla & Associates, Inc., to submit the City of Lodi's Disadvantaged Business Enterprise Program Overall Annual Goal for Federal Year 2003-04.
- E-9 Approved the extension of the Northeastern San Joaquin County Groundwater Banking Authority Joint Powers Agreement and \$20,000 annual contribution.

Continued May 7, 2003

- E-10 Adopted Resolution No. 2003-76 authorizing the City Manager to execute Amendment 3 to United States of America Department of Energy Western Area Power Administration Contract 96-SNR-00110 with the City of Lodi for the Funding of Power Operation and Maintenance for Central Valley Project Power Facilities.

Council Member Hansen commented that this agreement will cost \$1.3 million annually and represents 8% of the City's energy. It is the least expensive power Lodi is able to purchase.

- E-11 Adopted Resolution No. 2003-77 accepting the Memorandum of Understanding between the City of Lodi and the Lodi City Mid-Management Association.

- E-12 "Adopt resolution authorizing the City Manager to execute an agreement with the firm of Liebert, Cassidy, and Whitmore to perform an audit of the City's compliance with the Fair Labor Standards Act (FLSA) (not to exceed \$20,000)" was ***removed from the Consent Calendar and discussed and acted upon under the Regular Calendar.***

- E-13 Informed Council of emergency repair of the industrial waste outfall pipeline to be done by G&L Brock Construction Company, Inc. (\$20,035).

- E-14 Adopted Resolution No. 2003-78 authorizing the City Manager to file the claim for 2002-03 Transportation Development Act funds in the amount of \$2,097,999 (claiming \$279,284 in unexpended carryover for transit operations) from the Local Transportation Fund and \$7,285 from the State Transit Assistance.

- E-15 Adopted Resolution No. 2003-79 amending Traffic Resolution 97-148 approving conversion of yield signs to stop signs on Fairmont Avenue at Locust Street.

- E-16 Approved addition of a 1986 Dodge 350 (1 ton) pickup truck to the Parks and Recreation Department fleet.

- E-17 Adopted Resolution No. 2003-80 authorizing the City Manager to extend the Lodi Small Business Energy Services Partnership.

- E-18 Adopted Resolution No. 2003-81 authorizing the City manager to approve a Public Benefits Program Grant for mechanical systems and lighting improvements for the Salvation Army Hope Harbor project (not to exceed \$50,000).

- E-19 Set public hearing for May 21, 2003, regarding the Planning Commission's recommendation of approval of the request of Gary E. Hansen, Don and Nancy Miller, and J. Jeffrey Kirst for an Annexation, General Plan Amendment, and Rezoning at 13669 North Cherokee Lane; 1443, 4071, 4145, and 4219 East Harney Lane; the request also includes a recommendation to certify Negative Declaration ND-02-11 as adequate environmental documentation for this project.

- E-20 "Set public hearing for May 21, 2003, regarding the appeal of Juan Diaz of a Planning Commission approval of a Use Permit to establish a Type #20 Off-Sale Beer and Wine Liquor License at 725 S. Cherokee Lane with the condition that the applicant transfer an existing license from within Lodi to the proposed location" was ***removed from the Consent Calendar and discussed and acted upon under the Regular Calendar.***

F. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

G. PUBLIC HEARINGS

- G-1 Notice thereof having been published according to law, an affidavit of which publication is on file in the office of the City Clerk, Mayor Hitchcock called for the public hearing to consider Resolution/Order to Vacate the east 200 feet of the alley west of Central Avenue and north of Oak Street.

Public Works Director Prima explained that the purpose of the public hearing is to consider abandonment of an alley on Oak Street at Central Avenue, as part of Lodi Unified School District's (LUSD) project. LUSD acquired the former Baptist church and made a number of improvements to convert it to a charter school. They propose to close the end of the ally that separates the school building from the parking area and re-route it south, down to Oak Street. LUSD would be responsible to pay for all the improvements and retain a public utilities easement over the existing alley. This matter has gone through the public hearing process with the Planning Commission and residents have been notified. One resident submitted a letter in which the basis of their complaint was the narrowness of Oak Street. Staff's position is that closing the end of the alley and rerouting it would have minimal impact to the neighborhood, and recommended Council approval.

In answer to questions posed by Mayor Hitchcock, Mamie Starr, Assistant Superintendent of LUSD, reported that discussions have taken place with the resident and property owner of lot 11. The property owner had hoped that LUSD would purchase the property; however, it was more than what was needed for the school site. A wall will be constructed adjacent to the property. In reference to parking, Ms. Starr stated that there would be a net decrease. Traffic will be forced to drop off and pick up in the abandoned portion of the alley, which should help mitigate traffic on the street. The entrance to the school will be changed from Oak Street to Central Avenue.

In reply to Council Member Hansen, Ms. Starr stated it was probable that there eventually would be school buses at the site; however, she reported that 80% of the students at this school live within walking distance.

Hearing Opened to the Public

None.

Public Portion of Hearing Closed

MOTION / VOTE:

The City Council, on motion of Council Member Hansen, Howard second, unanimously adopted Resolution/Order No. 2003-82 to Vacate the east 200 feet of the alley west of Central Avenue and north of Oak Street.

H. COMMUNICATIONS

- H-1 Claims filed against the City of Lodi – None
- H-2 The following report was presented to the City Council:
- a) Planning Commission report of April 9, 2003
- H-3 The following postings/appointments were made:
- a) The City Council, on motion of Council Member Land, Beckman second, unanimously directed the City Clerk to post for the following expiring terms and vacancies on various boards and commissions:

Greater Lodi Area Youth Commission

(Adult Advisors)

Samir Berbawy

Term to expire August 30, 2003

Linda Elson

Term to expire August 30, 2003

David Wright

Term to expire August 30, 2003

(Student Members)

Carly Casey	Term to expire August 30, 2003
Gabi del Castillo	Term to expire August 30, 2003
Joey Nardinelli	Term to expire August 30, 2003
Elisabeth Newman	Term to expire August 30, 2003
Katie Whitmire	Term to expire August 30, 2004

Library Board of Trustees

Christine Lavond	Term to expire June 30, 2003
Marjorie Paulsen	Term to expire June 30, 2003

Lodi Arts Commission

Bill Crabtree	Term to expire July 1, 2003
Donna Jean Phillips	Term to expire July 1, 2003
Sherri Smith	Term to expire July 1, 2003
Patrick Stockar	Term to expire July 1, 2003

Planning Commission

Steven Crabtree	Term to expire June 30, 2003
Randy Heinitz	Term to expire June 30, 2003

San Joaquin County Commission on Aging

Terri Whitmire	Term to expire June 30, 2003
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H-4 Miscellaneous – None

I. REGULAR CALENDAR

- E-20 “Set public hearing for May 21, 2003, regarding the appeal of Juan Diaz of a Planning Commission approval of a Use Permit to establish a Type #20 Off-Sale Beer and Wine Liquor License at 725 S. Cherokee Lane with the condition that the applicant transfer an existing license from within Lodi to the proposed location”

PUBLIC COMMENTS:

- Juan Diaz explained that he was appealing this matter because he wanted to be allowed to obtain a license from outside of Lodi, or be issued a new one, because none are currently available in the City.

MOTION / VOTE:

The City Council, on motion of Council Member Land, Beckman second, unanimously set public hearing for May 21, 2003, regarding the appeal of Juan Diaz of a Planning Commission approval of a Use Permit to establish a Type #20 Off-Sale Beer and Wine Liquor License at 725 S. Cherokee Lane with the condition that the applicant transfer an existing license from within Lodi to the proposed location.

- E-12 “Adopt resolution authorizing the City Manager to execute an agreement with the firm of Liebert, Cassidy, and Whitmore to perform an audit of the City’s compliance with the Fair Labor Standards Act (FLSA) (not to exceed \$20,000)”

Mayor Hitchcock believed that this matter could be handled in-house and was opposed to spending \$20,000 for an outside agency to perform an audit.

City Manager Flynn explained that the City’s labor negotiations attorney from Liebert, Cassidy, and Whitmore recommended the audit. Mr. Flynn noted that laws related to FLSA have been changing and are very complex. In particular, an area of uncertainty has to do with Fire personnel.

Kirk Evans, Senior Human Resources Analyst, read the following statement:

"The FLSA audit is the only reliable means an employer has to determine whether it is complying with the several and exacting FLSA requirements and regulations. Casual and periodic spot checks are not sufficient because of the complexity and broad scope of the FLSA – the U.S. Department of Labor regulations that interpret the FLSA, and numerous Department of Labor opinion letters that apply the FLSA to particular employers. It is only through an in-depth investigation into an employer's time keeping and compensation practices and an analysis of those particular practices and how they measure up to FLSA requirements, that an employer can be fully assured of its FLSA compliance."

Council Member Hansen warned that undetected noncompliance could expose the City to substantial back pay liability and penalties.

MOTION:

Council Member Hansen made a motion, Howard second, to adopt Resolution No. 2003-83 authorizing the City Manager to execute an agreement with the firm of Liebert, Cassidy, and Whitmore to perform an audit of the City's compliance with the Fair Labor Standards Act in an amount not to exceed \$20,000.

DISCUSSION:

Mayor Hitchcock believed that this was the job of a Human Resource Department. She asked whether Human Resources Director Narloch could ensure compliance with FLSA. She felt that due to budget constraints, consultant fees should not be approved for anything that could be done in-house.

Mayor Pro Tempore Howard pointed out that Human Resources Director Narloch now has a law degree and noted that this should give her more insight into the subject.

Deputy City Attorney Schwabauer believed that Ms. Narloch does have the capability of ensuring compliance with FLSA; however, he likened this request to "buying an insurance policy," which he felt was necessary because the potential liabilities are so severe.

Mayor Hitchcock suggested that proposals be obtained from other firms, due to the fact that the attorney who recommended the audit be done, is now providing services as the City's labor negotiator.

Council Member Beckman concurred with the Deputy City Attorney and stated that he saw this as a protection measure.

In reply to Mayor Hitchcock, Deputy City Manager Keeter clarified that the request is to give the City Manager authorization to negotiate and execute an agreement up to \$20,000. She recalled that the County was challenged on this issue, which resulted in having to recreate records and reimburse staff that were thought to be exempt, but were not.

Mr. Flynn stated that lawsuits happen frequently, particularly with fire department employees. Currently no one is challenging the City and this action is an attempt to preclude it from happening in the future.

In answer to Mayor Hitchcock, Mr. Flynn stated that he was not concerned that the firm of the attorney who suggested the audit would be doing the work.

VOTE:

The above motion carried by the following vote:

Ayes: Council Members – Beckman, Hansen, Howard, and Land

Noes: Council Members – Mayor Hitchcock

Absent: Council Members – None

I-1 "State Budget update"

City Manager Flynn reported that the Governor recommended a cut to cities in 2002-03 of \$1.7 billion and in 2003-04 a cut of \$1.5 billion. The Senate Republicans are recommending a reduction in 2002-03 of \$289 million and in 2003-04 a reduction of \$391 million. The Assembly Democrats have proposed a cut of \$94 million in 2002-03 and \$288 million in 2003-04. Assembly Republicans recommend a reduction of \$9 million in 2002-03 and \$139 million in 2003-04. Under the Governor's proposal there would be a Vehicle License Fee (VLF) backfill of \$550 million this year and \$1.2 billion next year. Equally proposed by the Assembly Republicans and Democrats is a reduction next year of an unallocated amount of \$250 million to cities using a common formula, allocated on a per capita basis of \$8.73, which for a population of 60,000 amounts to \$523,000. Senate Republicans and Assembly Democrats both assumed that the VLF trigger would be pulled, so the VLF would return to its preexisting levels. This would result in tripling the fee for registration of vehicles. The Assembly Republican's proposal was to eliminate high technology grants, Community Oriented Policing Services (COPS) grants, and public library grants. The Governor's proposal also eliminates public library grants. Mr. Flynn reported that there is a growing momentum among cities to oppose AB1221, which would take away half of the sales tax to cities and replace it with property tax. He suggested that Council may wish to address this matter at a future meeting.

Mayor Hitchcock and Council Member Hansen agreed with Mr. Flynn's suggestion to bring the AB1221 issue back to Council.

MOTION / VOTE:

There was no Council action necessary on this matter.

I-2 "Review and discuss draft 2003-05 Financial Plan and Budget"

City Manager Flynn reported that staff is presenting to Council a balanced budget. Individual appointments will be scheduled with Council Members and interested members of the public to review the detail of the budget and answer questions. Reserves are being increased because of significant shifts in funding for capital projects. It is recommended that the transfer of \$1.5 million for future debt financing of projects not take place. There have been cuts in the operating budget; however, all programs and services have remained intact. The budget allows for increasing staff in the Fire Department and increasing pay for City staff in accordance with the salary survey done last summer. He stated that none of the capital projects have been changed, but the challenge will be in finding new ways to finance the projects.

Finance Director McAthie reported that review of the budget will occur the regularly scheduled meeting on June 4, and a special meeting on June 5 if needed, with adoption scheduled for June 18. She reviewed each section description as outlined on the blue sheet handout distributed to Council (filed). She stated that the City Manager's budget message will be included in the final budget adopted by Council. Incorporated in the proposed budget (filed) is the cost recovery increase from 30% to 35% in Parks and Recreation, which amounts to \$70,929 and 30% to 40% in the Community Center, which amounts to \$145,308. The Mayor's suggestions regarding major City goals and objectives (introduced at the January 21, 2003 meeting) have been incorporated into the proposed budget. New to the budget document are the employment process, benefits, and salary schedule by classifications.

Referencing page 2, Ms. McAthie explained that it represents an overview of scenario 5. It includes the hiring lag of the current 10 positions, which amounts to \$500,000 for each of the two years. A hiring lag in the future of 10 positions in the 1st year amounts to \$500,000 and 15 positions in the 2nd year would be \$750,000. The average dollar amount

(net of the cost to the City) for a golden handshake in 2003-04 is \$200,000 and in 2003-05 would be \$400,000. Additional revenue from fee increases has been included as follows:

- Police Department – \$175,000
- Finance Department – \$265,000
- Community Development – \$390,000
- Public Works – \$52,000
- Parks and Recreation – \$35,000

Ms. McAthie noted that requests for approval for the fee increases will be brought back to Council. Carryover of unexpended appropriations is estimated at \$1 million in the current year, \$700,000 in 2003-04, and \$500,000 in 2004-05. Fully authorized positions are budgeted at E step of the salary range and vacant positions are budgeted at A step. The difference between the budgeted amount and actual is estimated at \$200,000. The voluntary leave without pay program is estimated at \$50,000. Estimated pay increases for presentation purposes, which might be negotiated over the next year or two, amounts to \$950,000. Savings related to employees paying a portion of their medical insurance costs was estimated at \$200,000. Also incorporated into the proposed budget are program reductions of \$7,200 for Council, \$1,400 for Administration, \$22,000 for Public Works, and program increases of three additional firefighters in the 1st year and one firefighter in the 2nd year. The City currently has 476 authorized positions. In 2003-04 there will be 480 authorized regular positions, which include three additional firefighters and one International Brotherhood of Electrical Workers (IBEW) employee. In 2004-05 there would be an increase of nine positions, i.e. one in Public Works Streets Division, one in the Police Department, one additional firefighter, and six paramedics. The authorized positions are made up of 18% in general government, 37% in public safety, 19% in public utilities, 7% in transportation, 12% in leisure, culture, and social services, and 7% in community development. Ms. McAthie distributed to Council a report of personnel authorized over the last 20 years (filed).

Referencing page 4 entitled All Fund Summary of Changes in Fund Balance, Ms. McAthie reported the following:

- General Fund beginning fund balance projected at the end of this year is \$2.6 million. The revenue amount of \$30,383,656 represents 69% tax revenue, 14% revenue from others, 6% service charges, and minor percentages in investment income, permits, and fees. Expenditures in the general fund of \$34.2 million are 47% public safety, 26% general government, 13% leisure, cultural and social services, 10% community and economic development, and 6% transportation. Other sources and uses is \$4.4 million. Transfers in of \$6.3 million and transfers out of \$4.49 million are detailed on page H-11 of the budget document.
- Street Fund begins with a balance of \$6 million, adds revenue of \$7.2 million, has expenditures of \$5.5 million, transfers out of \$1.3 million, and ends with a \$6.5 million fund balance.
- Capital Outlay Fund, general fund portion, is detailed on page G-15 of the budget document. It begins with a \$4.6 million fund balance, adds \$5.6 million in revenue, has \$416,000 in expenditures, transfers out of \$1.7 million, and ends with an \$8 million fund balance.
- Detail of the Water Fund is listed on page G-18 of the budget document. It begins with a \$2.4 million fund balance, adds revenue of \$6 million, has expenditures of \$6 million, and ends with a fund balance of \$1.6 million.
- Wastewater Fund is detailed on page G-19 of the budget. It begins with a \$2 million fund balance, adds \$6.8 million in service charges, and has expenditures of \$24.8 million. Expenditures include a \$20 million capital project, \$3.8 million in operating expenses, and \$800,000 in debt service. Other sources and uses of \$16.9 million represents proceeds from debt financing that would offset the \$20 million capital

expenditure. The capital project will likely result in a 22% increase in rates, from which additional funding was included in the 2nd year.

In reply to Council Member Hansen, City Manager Flynn clarified that without impact fees, or federal or state assistance, the rate increase would be 22%. He stated that staff would work hard so that there is a minimum impact upon the ratepayers in Lodi.

Ms. McAthie continued her review of page 4, and reported the following:

- Electric Fund begins with a \$4.4 million fund balance, adds revenue of \$53 million, and has expenditures of \$60.4 million. Other sources and uses is \$8.7 million, which are proceeds from their debt financing. The swap termination is \$4.7 million. There are \$1.4 million in operating reductions and a \$1.2 million fuel cost adjustment, which leaves an ending fund balance of \$5.9 million.
- Benefits Fund begins with a \$2.7 million fund balance, adds revenues of \$284,000, and has expenditures of \$4.5 million. Other sources and uses of \$3.7 million represent transfers from other funds to cover both the current expenditures and the incurred, but not reported reserves. This would leave a \$2.2 million fund balance.
- Self Insurance Fund begins with a \$1.9 million fund balance, adds interest income of \$200,000, and has expenditures of \$2.7 million, which includes \$1.6 million in Workers Compensation and \$1.1 million in general liability. Other sources and uses of \$2.7 million represent transfers from other funds to offset the current expenditures, the incurred but not reported liabilities, and to build up the reserve in that fund. This would leave a \$2.162 million reserve.
- Vehicle and Equipment Replacement includes a change in expenditures for funding the general fund vehicle equipment at \$100,000. The budget includes an additional \$155,000 to fund police vehicles.
- Trust and Agency Fund includes the library private sector trust fund, the downtown assessment district, and expendable trust accounts. It starts out citywide at the beginning of the year with \$29.4 million in reserves and is projected to end in 2003-04 with a \$33 million fund balance overall.

In answer to questions posed by Mayor Hitchcock, Ms. McAthie stated that revenues in the general fund capital outlay fund come from impact fee money and funds from Propositions 12 and 40 for Parks and Recreation. In reference to the water and wastewater funds, Mr. Flynn reported that settlements are expected on the money the City advanced on the PCE/TCE matter. Assurances have been made that the City will be repaid \$6 million within the next six months. This will allow repayment of the money borrowed from Lehman Brothers. Mr. Flynn reported that liability is approximately \$3.7 million and the funding is \$2.16 million. Significant effort is being made to increase this year what the City pays into the Workers Compensation and liability funds. In the last three years the City has averaged \$272,000 per year for general liability, and Workers Compensation has averaged \$916,000 per year.

RECESS

At 9:15 p.m., Mayor Hitchcock called for a recess, and the City Council meeting reconvened at 9:28 p.m.

I. REGULAR CALENDAR (Continued)

I-2
(Cont'd.)

Referencing the report beginning on page 5 entitled Expenditure by Departments, Ms. McAthie reported the following:

- City Council in 2001-02 spent \$70,950. The current budget is \$98,000, and the 2003-04 requested amount was \$94,000. The requested amount was reduced by \$7,200.

- City Clerk in 2001-02 spent \$200,000. The current budget is \$306,000, and the 2003-04 requested amount was \$288,000. The requested amount was reduced by \$13,415. Ms. McAthie noted that the Clerk's budget increases significantly every other year when the general municipal election is held.

Council Member Beckman asked what savings would be accomplished if the Clerk's Office did not have to duplicate large documents such as the budget and Council meeting packets.

City Clerk Blackston reported that 20 copies of the draft budget were produced for tonight's meeting, which amounted to a total of 10,000 pages. She estimated that it could have been scanned, formatted, and posted on the internet in two hours time. The duplication process took three hours using three different copiers and several staff members, which was partially due to equipment breakdown.

In answer to Council Member Hansen, Ms. McAthie stated that the funding for the notebook computers has been included in the 2nd year of the budget.

Deputy City Manager Keeter noted that the City Clerk subsequently suggested to fund two notebook computers out of 2002-03 funds and the remainder in 2003-04.

Mayor Hitchcock voiced support for purchasing the computers in the 1st year of the budget, due to the cost savings potential. She noted that the Council Chamber has already had electrical wiring installed in anticipation of utilizing the notebook computers.

Mayor Pro Tempore Howard and Council Member Beckman concurred with Ms. Hitchcock.

Council Member Hansen noted that other departments have been denied equipment and stated that he would be opposed, unless a definite cost savings was established.

Council Member Beckman stated that he was also in favor of instituting an electronic agenda packet process due to environmental concerns, i.e. enormous amounts of paper being consumed.

Mr. Flynn added that the copy machine used to produce the packets is nearly new, yet it has broken down on several occasions, which he implied was due to heavy use. He acknowledged that access to paper documents is easier than scrolling through pages on a computer.

Council Member Land was supportive of the electronic agenda process; however, he preferred that purchase of the notebook computers be deferred to the 2nd year of the budget.

In reply to Council Member Hansen, Ms. Keeter reported that a number of equipment requests in the budget were deferred.

Ms. McAthie continued her review of the report entitled Expenditure by Departments:

- City Manager – Administration, Special Payments is where the City pays the fees to the county for collecting its property tax and where fees are paid for state mandated costs. This category also includes community promotion, emergency preparedness, non-departmental services, telephone charges, citywide postage, City Manager's Office staff and supplies, and economic development. Special Payments was reduced by \$5,000 and Community Promotions was decreased by \$100,000 due to the resignation of Cynthia Haynes. Non-departmental Services and Telephone Charges were decreased \$27,000, and the City Manager's Office was reduced \$7,200. Information Systems in 2001-02 spent \$792,000 and the 2003-04 requested amount is \$1.1 million. Economic Development's budget was flat lined.

- City Attorney's Office budget was flat lined.
- Community Center in 2001-02 spent \$1.2 million. The current budget is \$1.1 million, and the 2003-04 requested amount was \$1.5 million. The requested amount was reduced by \$140,000. A funding split between the Arts Commission and Arts and Culture was instituted in 2003-04. Square maintenance was reduced by \$47,000. Community service hours will be used to make up the loss in the United Cerebral Palsy maintenance contract amount. The Youth Commission was reduced by \$10,000.

Mayor Pro Tempore Howard reported that the Youth Commission took their budget from last year and reduced it by \$10,000. This was accomplished by eliminating the teen lead program and the crush dance.

Ms. McAthie stated that in 2001-02 the Youth Commission spent \$55,000. Their current budget is \$49,000, and they requested \$61,000. The requested amount was reduced by \$10,000.

Mayor Pro Tempore Howard recalled that the Youth Commission knew at their April meeting that their budget request had not been approved, so they took last year's dollar amount and by vote, reduced it by another 15%.

City Manager Flynn stated that an attempt was made not to reduce programs or activities. He noted that the Youth Commission recovers 85% of its costs through fees and donations.

Mayor Pro Tempore Howard asked that the Youth Commission be given an opportunity to make a decision at their meeting tomorrow based on what is now being recommended for their budget. She noted that even with their proposed additional cuts, the Wet n' Wild program is still planned.

Council Members Hansen and Land expressed hope that the Commission would accept the offer to keep the crush dance and teen lead program.

Ms. McAthie continued her review of the report entitled Expenditure by Departments:

- Community Development, Planning Administration in 2001-02 spent \$404,000. The current budget is \$542,000, and the 2003-04 requested amount was \$632,000. A professional services contract in the amount of \$100,000 will be carried over from the current year into the 2nd year.
- Electric Utility operating budget, Policy, Legislative and Regulatory, requested \$1.1 million and it was reduced by \$131,000. Electric Construction and Maintenance, Supervision was increased by \$127,000. Business Planning and Marketing was reduced by \$84,000. Engineering and Operation increased by \$36,800. System Maintenance Overhead was reduced by \$10,000. Substation Maintenance was increased by \$38,000. Overall, Electric Utility had requested \$8 million and it was reduced by \$30,000.

In answer to questions posed by Mayor Hitchcock, Ms. McAthie clarified that the reserve includes the transfer. Mr. Flynn stated that staff will be coming back to Council next year to discuss reducing the transfer (in lieu tax) from 12% to 8% across the board for the enterprise funds, and considering impact fees for Electric Utility.

In response to Council Member Land, Electric Utility Director Vallow reported that the Utility was offered 120,000 decatherms of gas storage free for ten years. The contract is currently under review. He estimated its worth at \$250,000 a year.

In reply to Mayor Hitchcock, Mr. Vallow stated that cities have been successfully sued by ratepayer groups for intermixing their enterprise funds. He explained that the separation between funds is critically important to underlying bond ratings. The City has an A+ rating from Fitch, whereas Electric Utility has a BBB+ rating. For Electric

Utility's rating to increase to A-, it would be necessary to have \$50 million in reserves. For this reason, it would not be advantageous for the City to be joined together with Electric Utility.

Ms. McAthie continued her review of the report entitled Expenditure by Departments:

- Finance Department's budget was reduced \$4,000 in overtime and supplies.
- Fire Department's budget increased by \$245,000.
- Human Resource's budget was decreased by \$30,000.
- Library Administration decreased by \$24,000 and the Literacy Program was reduced by \$17,000.

Library Services Director Martinez explained that the Literacy Program was grant funded through the state for five years. It is now in its 4th year and is funded at 75%. The \$17,000 represents 25%. Ms. Martinez stated that this amount will be absorbed into, and funded by, the library services budget. Currently there are 70 students in the program.

- Parks and Recreation requested \$3 million plus significant expenditures and staffing changes, which amounted to \$290,000 additional dollars to its budget, offset net of savings.
- Police Department Animal Services had significant expenditure requests for \$5,500 in veterinary services and \$5,000 for rental of office space.

In reply to Council Member Hansen, Mr. Flynn reported that Police Chief Adams and Captain Main met with the Animal Services Supervisor and felt that the Police Department could absorb into its budget the additional funding requests that were made. Ms. Keeter noted that the additional requests amounted to \$6,000 for cages, cabinetry, and laundry services.

- Police Department (*continued*) Administration was reduced by \$86,000 and Operations was reduced by \$17,310. The overall Police Department budget for 2003-04 is \$9.4 million.
- Public Works had \$200,000 in reductions offset by significant expenditures, for an ending budget decrease of \$88,250. The overall Public Works budget for 2003-04 is \$16 million.

MOTION / VOTE:

There was no Council action necessary on this matter.

I. REGULAR CALENDAR (Continued)

- I-3 "Adopt resolution authorizing the City Manager to execute the City of Lodi Letter Member Agreement (second phase) for Financing of Planning and Development Activities of Hydroelectric Project Number Two the Poe Hydroelectric Project between Northern California Power Agency (NCPA) and the City of Lodi"

Electric Utility Director Vallow explained that this is an opportunity to acquire existing hydroelectric facilities at a nominal cost. He recommended that Council approve the request to participate with other NCPA members to acquire the resource. He anticipated the total resource development cost to be between \$50,000 to \$70,000.

MOTION:

Council Member Hansen made a motion, Beckman second, to adopt Resolution No. 2003-84 authorizing the City Manager to execute the City of Lodi Letter Member Agreement (second phase) for Financing of Planning and Development Activities of Hydroelectric Project Number Two the Poe Hydroelectric Project between NCPA and the City of Lodi.

DISCUSSION:

In reply to Mayor Hitchcock, Mr. Vallow reported that 42,000 megawatt hours is roughly 5% to 10% of the energy needs of the City in a given year. The cost for capital expansion would be under the third phase agreements. Staff will return to Council to request funding for the Utility's share of the buyout costs, which would be slightly in excess of the book value of the project. He estimated that it would cost \$1 million to acquire the asset, which is 6% of the total project. He reported that if re-licensing is successful, the total project cost would be \$20 million, which he believed to be one third of the cost of a normal market based resource.

VOTE:

The above motion carried by a unanimous vote.

J. ORDINANCES

- J-1 Ordinance No. 1729 entitled, "An Ordinance of the Lodi City Council Amending the Official District Map of the City of Lodi Thereby Rezoning 1331 and 1349 East Kettleman Lane (APN 049-250-53 and 049-250-52) from U-H, Unclassified Holding to M-1, Light Industrial" having been introduced at a regular meeting of the Lodi City Council held April 16, 2003, was brought up for passage on motion of Council Member Land, Hansen second. Second reading of the ordinance was omitted after reading by title, and the ordinance was then adopted and ordered to print by the following vote:

Ayes: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock
Noes: Council Members – None
Absent: Council Members – None
Abstain: Council Members – None

- J-2 Ordinance No. 1730 entitled, "An Ordinance of the City Council of the City of Lodi Amending Title 13, Chapter 13.20, 'Electrical Service,' by Adding Section 13.20.225 Schedule NEM – Net Energy Metering" having been introduced at a regular meeting of the Lodi City Council held April 16, 2003, was brought up for passage on motion of Council Member Land, Hansen second. Second reading of the ordinance was omitted after reading by title, and the ordinance was then adopted and ordered to print by the following vote:

Ayes: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock
Noes: Council Members – None
Absent: Council Members – None
Abstain: Council Members – None

K. COMMENTS BY CITY COUNCIL MEMBERS ON NON-AGENDA ITEMS

- Mayor Pro Tempore Howard stated that she recently attended the Police Partners recognition event at Lodi Lake. It had been held at the same time as the North Central Valley Chapter of Municipal Service Agencies annual mini-equipment show. There were over 150 in attendance with 25 different companies present. The Lodi Mexican-American Lions Club hosted the barbeque and donated all the proceeds to the scholarship fund.
- Mayor Hitchcock congratulated Richard Prima whose daughter was a National Merit Scholarship recipient. She announced that a representative from Senator Poochigian's office would be at the Carnegie Forum on May 15 from 1:00 to 4:30 p.m.
- Council Member Hansen announced that the annual Crime Stoppers tournament would be held at the Elkhorn Golf and Country Club on June 30. He noted that there is a new article in the City newsletter called "Coco's Movie Review."
- Council Member Land stated that he would be participating in a fundraiser for Lodi House on May 30.

Continued May 7, 2003

L. COMMENTS BY THE CITY MANAGER ON NON-AGENDA ITEMS

- City Manager Flynn announced the May 16 birthdays of Tony Goehring and Joanne Narloch. He noted that Hutchins Street Square recently sent out fliers with membership applications.

M. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 11:07 p.m.

ATTEST:

Susan J. Blackston
City Clerk